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SUBJECT: Kabila Lists Ways Toward Economic Growth

¶1. (U) Summary. In his inaugural address and in a list of "100 Proposals for the Reconstruction of the DRC" released the following day, President Joseph Kabila made a call to action and gave some idea of his priorities for promoting Congolese economic growth. End summary.

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The Inaugural Address  
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¶2. (U) In his inaugural address, Kabila said his role is to support a profound change of mentality" in the country. He said that repair work must start in the areas of infrastructure and communications, notably on roads, railroads, ports, airports, large-scale agricultural projects, educational reform, access to potable water and electricity, health care, and housing.

¶3. (U) Kabila tied some of his inaugural speech themes together when he noted that "good governance...is absolutely essential to obtaining durable development, sustained economic growth, and the eradication of poverty." He said that the fight against corruption would be one of his first priorities, along with reform of the Congolese judicial system.

¶4. (U) He described as "incredible" the depths to which the Congolese socioeconomic situation had sunk, and said his government would work hard to correct the macroeconomic, monetary and financial frameworks. He said the economic boost ("relance de l'economie") awaited by the Congolese people would be measurable not by government statistics, but by job creation and the contents of market baskets. He pledged to partner with the international community to advance development priorities.

¶5. (U) Kabila promised tough action a second time towards the end of his speech, when he reiterated that impunity would no longer be tolerated at any level in the DRC.

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Kabila's 100 Proposals for the Reconstruction of the Congo  
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¶6. (U) Kabila's main themes during his inaugural speech were fleshed out with the December 7 publication in the media of his "100 Proposals" for the reconstruction of the Congo, nearly half of them in the category of kick-starting the economy. Some of his "big picture" proposals include:

-- Stabilize the macroeconomic framework to improve economic activity, investment and growth.

-- Re-establish a formal IMF program (PRGF).

--Strictly control the budget through close attention to GDRC spending and increase state revenues through performance criteria for government collection agencies.

--Develop and utilize the DRC's natural resources in a rational fashion.

--Promote private initiatives (including support for local enterprises), protect private property and the physical and judicial security of businesses, reduce administrative procedures/bureaucracy, strictly apply the Investment Code to reduce business start-up costs, support the Office of Small and Medium Congolese Enterprises, restructure internal debt, put in place a Socio-Economic Council, and increase public investment in rural areas.

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Sectoral Policy for Economic Growth  
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¶7. (U) In the section entitled "Sectoral Policy," Kabila outlined his approaches to:

-- Infrastructure: repair national roads, bridges, and ferries; construct main roads between principal cities; rehabilitate river ports and channels; support ONATRA (national transportation office; mostly dealing with riverboat operation) and SNCC (national railroad company); repair public facilities such as hospitals and schools; improve the operations of the Congolese Office of Post and Telecommunications (OCPT); diversify domestic financing for public infrastructure, transport and communication; and modernize Ndjili

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International Airport (Kinshasa) and the airports of Lubumbashi (Katanga), Kisangani (Orientale), Mbuji-Mayi (Kasai Oriental), Kananga (Western Kasai) and Goma (North Kivu).

-- Energy and Water: diversify energy sources; increase energy production to supply the entire nation with power; promote and extend petroleum production onshore and offshore using private investment; rehabilitate Inga Dam turbines and other large hydroelectric projects; increase electricity service to rural areas; develop electricity distribution networks using public/private partnerships; increase access to potable water, especially in rural areas; improve the quality of service provision by state-run electricity and water companies; and encourage private investment in the water and electricity sectors.

-- Mining: provide titles according to the Mining Code in a transparent manner while making sure that private companies adhere to agreements; intensify efforts to combat fraud and the plunder of DRC natural resources.

-- Agriculture: provide assistance to farms destroyed during and after the war; provide access to agricultural credit and create agricultural cooperatives for production and marketing; promote local production of tools and of supplies such as improved seed; improve access to fertilizer and pesticides; improve animal husbandry and fish farming; modernize animal health services, agricultural research, and markets for agricultural production; increase investment in small agriculture and associated infrastructure and small and medium-sized enterprises; and develop agro-industries and integrated rural development projects.

-- Industry: promote Congolese industry to transform local raw materials and produce construction materials, agricultural inputs, and chemicals; promulgate and implement a law on restructuring public enterprises.

-- International Economic Relations and Trade: join international economic organizations and participate actively in regional and sub-regional economic initiatives; facilitate Congolese economic operators entry into international business.

18. (SBU) Comment. Kabila has laid out a very ambitious plan for the reconstruction of the DRC, especially considering that the outgoing transition government was unable to stay within its reduced budget for 2006, that there is no budget yet for 2007, and that the prospects for substantial short-term budget assistance to the DRC next year do not look good. The Kabila government may have to content itself with the "big picture" items (such as getting the IMF economic program renegotiated and in place by end March 2007) before it can even begin to worry about providing assistance in some of the economic sectors noted above. Kabila is, however, keenly aware of the political pressures of the very high expectations of the Congolese people to see post-election results quickly. Although the Kabila proposals track closely with the DRC Poverty Reduction Strategy Paper (PRSP) filed nearly six months ago with the IMF and World Bank, the new government will be hard-pressed to accomplish all the PRSP objectives for 2007. Kabila and his government will certainly have to prioritize those areas where they can show some concrete results by doing the most good with the least expense. End comment.

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